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ABSTRACT

A faculty-developed, criterion-based merit pay plan is described in this paper. Participation among department members is voluntary, and peers allocate merit pay based on pre-established criteria. The plan includes three categories of expectations--teaching, scholarship, and service--which are evaluated at two performance levels--strong and exceptional. The plan development process, evaluation criteria, and distribution of merit pay are described. A case study of a hypothetical department is offered to illustrate the distribution of merit pay under the plan. A variation of the plan has been used for 9 years at Oakland University (Michigan), whose faculty consider it effective, balanced, and fair. Although the plan has limitations--its use of standardized student evaluations, the higher status of journal publications, and the lack of quality assessment in the service category--it evaluates performance on the bases of both quantity and quality. Two tables are included. (Contains 8 references.) (LMI)

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Overcoming Merit Pay Dissatisfaction: A Faculty-developed, Bilevel, Criterion-based Plan

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(1992)

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Running head: Merit Pay

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Overcoming Merit Pay Dissatisfaction: A Faculty-developed, Bilevel, Criterion-based Plan

Merit pay is the practice of "allocating annual salary increases to individual faculty members based on the quality of their performance...[usually with] some combination of teaching, research and service activities in accordance with the institution's mission" (Hansen 1988, 10). The literature has identified numerous methods for allocating merit pay. Some merit plans include a set of criteria and procedures adopted university-wide while other plans are developed within individual academic units. Most plans have little faculty involvement (Marchant & Newman 1991), relying on department chairs and/or a dean to distribute merit dollars. Criteria in plans may seem to be arbitrary or they may be explicit. Some plans allow all participants to receive merit pay; others restrict merit pay to a limited number of faculty.

There are many problems with merit plans. Dissatisfaction includes the exclusion of faculty in developing procedures, poorly defined or questionable performance criteria, inconsistencies between merit pay and promotion-tenure criteria, inability to reward both "capably performing faculty and...high performance individuals (Hunnicutt, Taylor & Keefe 1991, 14)," and distrust of administrators who distribute merit pay (Hunnicutt, Taylor & Keefe 1991; Ehli 1986).

Nonetheless, plans can be created that overcome many of these criticisms.

This article describes a faculty-developed plan in which (a) all department members are eligible but not required to participate, and (b) peers allocate merit pay based on pre-established criteria.

Features of the Plan

Faculty in an education department created the plan at a midwestern university. The faculty in each department is responsible for establishing its own method of distributing merit pay. A list of activities reflecting professional responsibilities form the basis for the plan. Points for each activity are agreed upon by a majority vote. A maximum value is established for some activities (e.g., when the same scholarly presentation is made to several audiences).

The plan contains three categories in which faculty members are expected to engage: teaching, scholarship and service. Two performance levels, strong and exceptional, recognize meritorious activity. There are four reasons for establishing a bilevel approach: (a) levels provide means to differentiate members in a homogeneous group in which all members are productive; (b) the strong level encourages all faculty to participate; (c) the exceptional level challenges highly productive faculty; and (d) a greater number of people receive merit dollars.

The combination of categories and performance levels creates the six-celled matrix that appears in Table 1. Each cell identifies a

criterion and the percent of available merit. Faculty members who meet the criterion share that cell's merit. A faculty member may qualify for merit pay in all cells, in some cells or in no cells.

Insert Table 1 about here

Development of Plan

The faculty meets annually to review, modify and approve the plan. While faculty members could discard or replace the entire plan, they typically delete or add activities, reassign values (points) to activities, and review performance-level criteria. The plan is submitted to the Dean for approval.

After the end of each academic year, a peer committee administers the plan. It reviews each individual's documentation to verify values assigned to activities. The committee occasionally resolves questions for individuals who are unsure of a category or of the number of points assigned to specific activities. Finally, it calculates the actual merit pay earned by each person. The committee submits a report to all department faculty for approval before forwarding its recommendations to the Dean.

Merit Pay Criteria

Our University and School mission statements as well as the School's promotion and tenure criteria place equal value on teaching, scholarship, and service. Consequently, the Department assigns an

equal percent of merit to each category. Miller (1988) recommends this type of consistency between merit pay criteria and promotion-tenure criteria.

Different scores and points, which are predetermined, distinguish between exceptional and strong performance in the three categories. Criteria in the teaching category consist of cumulative scores from standardized student course evaluations as well as other qualitative or quantitative evidence provided by the instructor. Criteria in the scholarship and service categories consist of points assigned to each accomplished activity.

Distribution of Merit Pay

The department designates 25% of the total salary increase for merit, far above the 8% average in 50 contracts studied by Hansen (1988). Individuals who qualify as strong in each category share 5% of the total salary increase; those who qualify at the exceptional level share an additional 3.3% in each category (see Table 1). In other words, faculty members at the exceptional level qualify to share 8.3% of the merit pay in a category, since they have met the criteria for both strong and exceptional levels. Individuals who meet exceptional criteria in all three categories qualify to share the entire 25% (i.e., 8.3% x 3 categories). When no faculty member meets the criterion in an exceptional category, the plan stipulates that the allocation for that cell will be transferred to the strong cell in the same category.

Hypothetical Case

The case of a hypothetical department illustrates the distribution of merit pay under this plan. Three professors, Drs. A, B and C, chose to participate by submitting merit pay documentation for the previous academic year (see Table 2). The total department salaries are $100,000. Assuming a 7.5% raise, the faculty will distribute $7,500. Since the department reserves 25% of the annual raise for merit, the merit dollars in Table 2 equal $1,875 (i.e., 25% of $7,500). For that particular year, all faculty members also received a share of the remaining $5,625 (i.e., 75% of the 7.5% raise) as a cost-of-living increase.

Insert Table 2 about here

Dr. A received student appraisal scores (SAS) that averaged 4.0 or above in six class sections, three of which exceeded 4.4. In scholarship, she earned 3 points; her service activity totaled 11 points. Consequently, she met the criteria for strong performance in all three categories, and she met the criteria for exceptional performance in teaching and service.

Dr. B taught only three class sections in which his SASs exceeded 4.0. His scholarly and service activities equalled 4 and 10 points, respectively. He qualified for strong performance in teaching, scholarship and service as well as exceptional performance in service.

Dr. C chose not to submit SASs, but earned 9 points in scholarship and 7 points in service. Therefore, Dr. C met the criteria for strong performance in scholarship and service, and he met the criterion for exceptional performance in scholarship. As Table 2 indicates, the peer committee calculated the following for merit: Dr. A, $812.50; Dr. B, $562.50; and Dr. C, $500.

Advantages of a Criterion-based Plan

The plan recognizes different levels of performance. In one recent year, actual increases for merit pay ranged from 0% for one professor—who chose not to participate in the merit plan—to 5.25% for another. Combined with the cost of living raise, which is an equal percent for each person, that year's total raises ranged from 6.3% to 10.1% of base salaries.

This criterion-based merit pay plan meets Strohm's criteria of being "effective, balanced and fair" (1988, 9).

Effective

The plan is effective because faculty designed it, which ensures a sense of ownership, understanding, and commitment. When all colleagues participate in creating the plan they can voice their feelings (Miller 1988); they understand how the system works; and they must reach consensus. Moreover, the faculty administers the plan themselves. Participation as a committee-of-the-whole tends to counter what Wood and Wood (1988) refer to as "the unpredictable

nature and potentially demoralizing divisiveness that often is associated with chair, peer or committee ratings" (p. 10).

Balanced

The plan is balanced because it can parallel priorities stated or implied in the university mission. The example cited in this article gave equal weight to teaching, scholarship and service. Criteria assigned to each category might vary at other institutions. For instance, faculty at a research university might distribute merit differently than faculty at a community college. The system also allows for variations within the university. Each discipline, or unit, can reward its unique priorities.

Fair

The plan is fair for four reasons. (a) It is logical and unbiased and relatively free of politics and emotions. By setting criteria in advance, everyone has the opportunity, in effect, to "earn an A." There is no peer ranking of performance. (b) It encourages and accepts all performance, and it avoids the inference that only one or two faculty members ever deserve merit pay. The result is that smaller amounts are distributed to more faculty, which offsets the negative effect of giving large merit payments to fewer individuals (Miller 1988). (c) All participating faculty have an equal opportunity to qualify for the portion set aside for that year's merit. Each person may qualify for a larger or smaller percent of merit based on that

year's performance. (d) Merit pay is only part of the annual salary increase (Miller 1988), and it is independent of base salary, which is often a function of rank or seniority. The merit portion exclusively awards and recognizes short-term production; the remaining salary increase, the cost of living raise, awards longevity.

Conclusion

At first glance, the plan may seem to emphasize quantity to the exclusion of quality. That is not so. Quality is judged, but it is not judged by one's administrator or peers. Instead, others assess quality, especially in the areas of teaching and scholarship. Students assess teaching performance and reviewers judge journal manuscripts, grant proposals, and some conference presentations.

Nonetheless, the plan is not perfect. First, one may rightfully question if standardized student evaluations are an appropriate way to judge teaching performance. Secondly, assessment of scholarship fails to recognize a prevailing factor, the notion that some activities—certain refereed journals, for instance—are more prestigious than others. Finally, no one assesses quality in the service category.

Merit pay has been part of the negotiated faculty contract at this university since 1970 (McKay 1985). The department has used a variation of the criterion-based plan described in this article for nine years. Because it exemplifies a balanced, fair and effective method for awarding merit pay, we offer it to others, and welcome the opportunity for recommendations and future refinement.

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Table 1

Merit Pay Matrix

Categories	Performance Levels	
	Strong	Exceptional
Teaching	3 mean scores of 4.0 or higher 5.0%	2 mean scores of 4.4 or higher 3.3%
Scholarship	3 activity pts. 5.0%	5 activity pts. 3.3%
Service	3 activity pts. 5.0%	10 activity pts. 3.3%

Note. Teaching scores may range from 1.0 to 5.0 points.

Table 2

Hypothetical Cases

	Performance Levels	
Categories	Strong	Exceptional
Teaching	Dr. A Dr. B share $375	Dr. A receives $250
Scholarship	Dr. A Dr. B Dr. C share $375	Dr. C receives $250
Service	Dr. A Dr. B Dr. C share $375	Dr. A Dr. B share $250

Note. Dr. A = strong teaching (½ of $375) + exceptional teaching (all of $250) + strong scholarship (⅓ of $375) + strong service (⅓ of $375) + exceptional service (½ of $250); Dr. B = strong teaching (½ of $375) + strong scholarship (⅓ of $375) + strong service (⅓ of $375) + exceptional service (½ of $250); Dr. C = strong scholarship (⅓ of $375) + exceptional scholarship (all of $250) + strong service (⅓ of $375).